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Sweden

Solid Wood Products

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Report Highlights:
The EU continues to be the most important market for Sweden's forestry products, receiving about 75 percent of total exports. However, increasing competition from the Baltics and Russia is a threat to Swedish exporters. The strong growth of Swedish exports markets outside Europe continued during 2000. Sweden's exports to Japan increased by 13% to 650,000 cum in 2000. Sweden's exports to the U.S. grew by fivefold in 2000 and reached 175,000 cum.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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EXECUTIVE SUMMARY

Sweden is one of the most heavily forested countries in the world. Almost 70 percent of the total land area is covered with forests. The raw material base of 22.6 million hectares of productive forest land consists mainly of softwood species. Total stocks of timber are estimated at 2,850 million cum, annual growth at 101 million cum and annual fellings average 76.2 million cum. Sweden is a major softwood lumber producer, supplying the European market with about 30 percent of its demand. In recent years, Sweden has also made onroads into the Japanese market, thus competing with Finnish and U.S. softwood lumber.Sweden's main forest industry product, however, is pulp. In 2000, pulp production amounted to 11.5 millions tons. The production of paper amounted to 10.8 million tons, including newspaper print, fine paper and board.

The total value of forestry exports in 2000 amounted to SEK 104.6 billion (USD 11.4 billion), compared to SEK 92.5 billion (USD 10.1 billion) in 1999. Imports of forest products amounted to SEK 21.4 billion (USD 2.3 billion). The forest sector share amounted to 13 percent of Sweden's total exports, and around 3 percent of Sweden's total imports.

There are about 350 major sawmills in Sweden with an annual output of about 15 million cum, more than 60 percent of which is sold to other EU countries. With increasing competition in the European market from the Baltics and Russia, Sweden is aiming its exports to markets outside of the EU. The Baltic countries have more than doubled their export volumes to Europe in four years and Russian exports to the European market are also increasing strongly.

Rates of exchange used in this report are:
CY 1999: USD 1 equals SEK 8.26
CY 2000: USD 1 equals SEK 9.18

PRODUCTION

Forest Situation/Outlook

Virtually all forests in Sweden are regrowth. Small areas of virgin forests are protected in national parks and nature reserves. The raw material base of 22.6 million hectares of productive forest land consists mainly of softwood species. Total stocks of timber are estimated at 2,850 million cum, annual growth at 101 million cum and annual fellings average 76.2 million cum. There is a potential for annual fellings to increase by about 20 million cum. The composition of the present forests with few species and uneven age distribution make imports a necessity. Imports of raw material for the industry continues to increase and reached 7.1 million cum in 2000, an increase by 18 percent over 1999.

50 percent of Sweden's forest area is privately owned, 40 percent is company- owned, and 10 percent is government owned (including national parks and reserves). The majority of private forest owners are members of regional Forest Owners Associations, many of which own sawmills, processing, pulp mills and bioenergy plants. These regional associations are organized

as a forest delegation within the Swedish Farmers Federation (LRF).

With prices down 5 percent in 2000, 2000 was a diffcult year for forest owners. LRF Skogsagarna is encouraging its members to invest more in value-added wood products in order to increase their profits. Additonally, LRF is working to improve contacts with the home building industry. One of the largest members of LRF Skogsagarna, Sodra Skogsagarna, has established an operation which supplies rational solutions (such as pre-fabricated construction materials) for construction companies.

The Swedish government decided in the early 90's that no subsidies would be made available to the commercial side of the Swedish forest industry. This reflected the GOS view that subsidies would be destructive to an industry whose ongoing operations and future development relied heavily on a strongly competitive international market. When Sweden joined the EU in 1995, it had to adopt Council Regulation (EEC) No. 867/90. However, due to the requirement that the GOS cofinance 50 percent of the subsidy, only a small amount of EU subsidies has been paid to Swedish forest owners.

The only government assistance during the last six-year period has been to forest owners of selected valuable broad-leaved deciduous forests. This category includes indigenous tree species of elm, ash, hornbeam, beech, oak, wild cherry, linden/lime and maple. Government assistance has been granted to compensate farmers for the loss of harvest income while trees of thses species mature. These trees generally take 200 years to mature— about twice as long as pine and spruce. Such subsidies amount to about SEK 18 million per year (USD 2.0 million) and are applied to an area covering about 1 percent of Sweden’s productive forests.

The most recent Forestry Act was effected on January 1, 1994. It outlines strict forestry practices, which must be adhered to by all forest owners at their own expense. The main provisions of the Act include requirements that: regeneration must be made after final felling and/or severe damage to the stand; forest owners must inform forest authorities about planned final felling and how nature conservation and historical aspects are to be taken into consideration at the felling sites; insect damage must be prevented through proper management practices; and nature conservation and historical aspects must be integrated into all kinds of forest management operations.

Nature conservation agreements between forest owners and the government have been established to protect and develop nature in certain areas. In the period January 1, 1994 through December 31, 2000, land owners were compensated a total of SEK 17.6 million (USD 1.9 million) under a total of 488 individual nature conservation agreements. During the same period, 1, 548 protected forest habitats or key biotypes were established for which forest owners have been compensated SEK167 million (USD 18.2 million). There is no formal felling ban on key biotypes, but there is great pressure on owners not to disturb them.

There are no special environmental requirements for wood processors, however any industry discharges or emission releases must comply with strict municipal requirements. The major forest companies now publish annual environmental reports in addition to their annual reports.

Solid Wood Products Situation/Outlook

Swedish Industry Mills and Production Units

Paper	**1999**	**2000**
Number of units	49	48
Total capacity, million tons	10.9	11.1
Production, million tons	10.1	10.8
Exports, million tons	8.4	8.9
Export value, SEK billion	50.7	56.8
Pulp	**1999**	**2000**
Number of mills	46	45
Total capacity, million tons	11.4	11.7
Production, million tons	11.7	11.5
Exports, million tons	3.0	3.1
Export value, SEK billion	10.6	16.0
Lumber	**1999**	**2000**
Number of sawmills	2,200	2,000
Production, million cum	14.6	14.8
Exports, million cum	11.1	11.0
Export value, SEK billion	17.5	18.5

In addition to the units included in the above table, there are four companies producing plywood with a total capacity of 150,000 cum, two companies producing particle boards, capacity of 750,000 cum, and two companies producing fibre boards with a total capacity of 285,000 cum. Production in 2000 amounted to 113,000 cum of plywood, 640,000 cum of particle boards, and 191,000 cum of fiber boards .

The forest industry is highly integrated. The four major companies, i.e., StoraEnso, SCA, Holmen and Assidoman, own both forests and processing industries. The re-structuring of the forest industry into larger units is continuing. Private forest owners cooperate through associations which either process timber themselves or sell large quantities to processing companies.

In 2000, sawn product prices increased by 1% from 1999's low level. Timber prices decreased by 5 percent from 1999's high level. Several sawmills went bankrupt in 2000. However, since it was mainly smaller sawmills that closed down, production capacity remained stable.

The major Swedish sawmills have developed their international position. Exports of lumber have increased from 6.5 to 11 million cum within the last ten years. While domestic market is important, consumption has remained stable at 3-4 million cum per year. Therefore, expansion is dependent upon increased exports. Due to high domestic prices, the Swedish industry imports a large amount of raw material from Russia and the Baltic states. This material is processed in Sweden and exported to, among other countries, the U.S. at competetive prices. Swedish sawmills also produce more highly finished materials for both the domestic and export markets. Major competitors are Finland, Austria and Canada.

There is a lively demand in Europe due to the fact that low interest rates have stimulated both the house-building and the maintenance sectors. Estonia and Latvia are developing trade connections in Europe in competition with Sweden and Finland.

Sweden is particiapting in the globalization of the forest industry. In 1999, StoraEnso bought the American company Consolidated Papers and thereby became the largest paper and cardboard producer in the world

The Nordic countries are working together on a strategy aimed at helping the sawmilling industry to structure their work in a way that contributes to an increased demand for solid wood products. The strategy work is based on the reports "Global Drivers and Megatrends in the Wood Products Industry to Year 2010" and "Solid Wood Products Threats and Possibilities". Further information on these reports is available from the Swedish Wood Exporters Association-
email:swea@stef.se- Internet: www.stef.se.

Glulam production in Sweden is very small and only a few sawmills produce this product. However, there seems to be an increasing interest in glulam on the Swedish market. The Swedish glulam industry is studying North American example for using glulam in house building as a cheaper alternative to conventional products. Sweden exported 50 thousand tons of glulam in 2000, mainly to Japan, Germany, Norway and the United Kingdom, compared to 46 thousand tons in 1999. Imports amounted to almost 9 thousand tons, most of which originated in Latvia, Norway and Estonia.

TRADE

Overview/Outlook

The EU remains the most important market for Sweden's forestry products receiving about 75 percent of total exports valued at 3,000 USD million. Swedish exports to the EU decreased by 0.30 million cum (4 percent) to 8 million cum. Competition in the European market from Latvia and Estonia continues to increase. The Baltics have more than doubled their export volumes to Europe in four years. Russia is also back on the European market and supplies a large amount of good quality forest products. These developments threaten Swedish exporters.

Sweden's strong development of export markets outside of Europe continued during 2000. Swedish exports to Japan increased by 13% to 650,000 cum. The Finns were also very successful on the Japanese market. Despite the fact that Finland had competitive disadvantage to Sweden due to the relatively strong euro against the Swedish krona, Finland increased its exports to Japan by 9 percent to 739,000 cum. Unlike Sweden, Finland joined the EMU from the start on January 1, 1999. Consequently, Finland does business in the European common currency, Euro. Swedish exporters are also actively looking at other Far Easts markets, especially the PRC and Vietnam. Sweden's exports to the U.S. increased by fivefold in 2000 to 175,000 cum.

In spite of the large volumes of available stocks, imports of softwood raw material are high, and in 2000 amounted to 7.1 million cum. The high level of imports is explained by the composition of the present forests with few species and uneven age distribution relatively and relatively high prices on domestic raw material. Russia, Latvia and Estonia are the main supplier of total raw material imports. Total imports of forest products to Sweden amounted to USD 643 million in 2000. The value of imports originated in the U.S. amounted to USD 28 million (mainly hardwood lumber).

Competition

Sweden is competing in the European market with Finland, Canada, the U.S., the Baltics and Russia. Competition from the Baltics and Russia has increased substanitally during recent years. As mentioned earlier in this report, there are no significant government subsidies allocated for forestry and forestry products in the Swedish annual budget. The major companies invest in promotional efforts to meet competition from other countries. Globalization of the forest industry is a fact. The four major forest companies in Sweden, all have large holdings in other countries.

The Nordic Timber Council with its head office in Stockholm is the joint promotional agency for Swedish, Finish and Norwegian lumber producers. The Council has offices in Spain, the United Kingdom, France and the Netherlands. Promotion activities in the United Kingdom were initiated in July 2000. USD 7.26 million is funded for the project, out of which USD 1.2 million is provided by the British industry. Promotion focuses on the environmental standards of the Nordic timber industry.

The discussion of the certification that forestry products were produced according to environmentally sustainable standards, led in 1996 to the launching of a joint Nordic forestry certification project between Sweden, Norway and Finland. This project aims to achieve like standards and like market recognition for certified forestry in all three countries.

Within Sweden there has been an ongoing debate on which system to adopt. The Swedish forest industries decided in 1998 to adopt the FSC (Forest Stewardship Council) system. The Forest Owners Association strongly opposed this decision and announced their decision to continue to work to find a Family Forestry Certification (FFC) system suitable for small forest owners as opposed to the FSC, which is geared towards large-scale forestry. The Forest Owners Association has believed that both systems can be used on the market at the same time and that there is need for both of them. The large companies maintain, however, that there should be only one system in Sweden, and that system should be the FSC. Both systems are well-established, which makes Sweden rather unique. However, ongoing negotiations concerning mutual recognition of eachother's system have progressed, and a compromise may be soon reached.

The EU PAN European Forest Certification (PEFC) aiming at establishing an internationally recognized framework for certification applicable to small-scale forestry, encompasses both the FFC and the FSC. There are now 17 European countries which have subscribed to the PEFC.

STATISTICAL SECTION

Strategic Indicator Table: Forest Area (million hectares/million cum)

STRATEGIC INDICATOR TABLE: FOREST AREA (million hectares/million cum)			
SWEDEN	Previous	Current	Following
2001	Calendar Year	Calendar Year	Calendar Year
Total Land Area	41.1	41.1	41.1
Total Forest Area	28.2	28.2	28.2
--of which, Commercial	22.6	22.6	22.6
----of commercial, tropical hardwood	0	0	0
----of commercial, temperate hardwood	2.6	2.6	2.6
----of commercial, softwood	20	20	20
--of forest area, non-commercial	5.6	5.6	5.6
Forest Type	spruce, pine, broadleaved (mainly birch)		
--Of which, virgin	0	0	0
--Of which, plantation	19.5	19.5	19.5
--Of which, other commercial (regrowth)	8.7	8.7	8.7
Forest Ownership	Private, company, national		
--Nationally owned and no commercial access	4.3	4.3	4.3
--Nationally owned, commercial logging permitted	3.6	3.6	3.6
--Other publicly owned land, no commercial access	1.3	1.3	1.3
--Other publicly owned, logging permitted	7.5	7.5	7.5
--privately owned commercial forest	11.5	11.5	11.5
Total Volume of Standing Timber	2,810	2,850	2,855
--Of which, Commercial Timber	2,600	2,600	2,650
Annual Timber Removal 1/	72	76.2	76
Annual Timber Growth Rate	94.8	101.3	95
Annual Allowable Cut	95	95	95

Strategic Indicator Table: Forest Product Tariffs and Taxes (percent)

		Tariff	Tariff	Other
SWEDEN	Product	Current	Following	Import
2001	Description	Year	Year	Taxes/Fees
4401	Fuel wood	0	n/a	SEK 0.10/CUM for phytosanitary control per shipment
4403	Logs, rough	0	n/a	SEK 0.10/CUM for phytosanitary control per shipment
4404	Wood roughly squared	0	n/a	SEK 0.10/CUM for phytosanitary control per shipment
4405	Wood wool	0	n/a	
4406	Railway sleepers	0	n/a	SEK 0.10/CUM for phytosanitary control per shipment
4407	Lumber	0 2.5	n/a	SEK 0.10/CUM for phytosanitary control per shipment
4408	Veneer	0 6	n/a	
4409	Wood, planed, etc.	0	n/a	
4410	Particle boards	7	n/a	
4411	Fiber boards	7	n/a	
4412	Plywood	6 10	n/a	There is a 0 tariff up to a quota of 650,000 CUM
4413	Wooden Beadings	0	n/a	
4414	Wooden picture frames	2.5	n/a	
4415	Wooden packing cases	3 4	n/a	SEK 0.10/CUM for phytosanitary control per shipment
4416	Casks, barrels	0	n/a	SEK 0.10/CUM for phytosanitary control per shipment
4417	Tools	0	n/a	
4418	Builders' joinery	0 3	n/a	
4419	Household utensils	0	n/a	
4420	Dec. wooden utensils	0 4	n/a	
4421	Other wood products	0 4	n/a	
4422	n/a			
9406	Prefabricated houses of wood	2.7	n/a	

PSD, Trade Matrices and Prices Table

PSD Table						
Country	Sweden					
Commodity	Softwood Logs				1000 CUBIC METERS	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	32000	30200	32000	30000	0	30000
Imports	5500	7149	5500	7500	0	7500
TOTAL SUPPLY	37500	37349	37500	37500	0	37500
Exports	1500	1397	1500	1500	0	1500
Domestic Consumption	36000	35952	36000	36000	0	36000
TOTAL DISTRIBUTION	37500	37349	37500	37500	0	37500

Export Trade Matrix			
Country	Sweden		
Commodity	Softwood Logs		
Time period	CY	Units:	1,000 CUM
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Norway	1175	Norway	1311
Denmark	23	Egypt	17
Germany	20	Denmark	14
Egypt	20	United Kingdom	14
United Kingdom	14	Germany	6
Greece	7		
Total for Others	1259		1362
Others not Listed	36		35
Grand Total	1295		1397

Import Trade Matrix			

Country	Sweden		
Commodity	Softwood Logs		
Time period	CY	Units:	1,000 CUM
Imports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Russia	1959	Russia	2284
Latvia	1666	Latvia	2006
Estonia	1215	Estonia	1287
Norway	583	Norway	528
Finland	238	Denmark	297
Germany	209	Finland	260
Lithuania	172	Lithuania	253
Denmark	19	Germany	204
Total for Others	6061		7119
Others not Listed	9		30
Grand Total	6070		7149

Prices Table			
Country	Sweden		
Commodity	Softwood Logs		
Prices in	SEK	per uom	
Year	1999	2000	% Change
Average for year	417	398	-5
Exchange Rate	9.18	Local currency/US $	

PSD Table						
Country	Sweden					

Commodity	Softwood Lumber				1000 CUBIC METERS	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	15500	14839	15500	15000	0	15000
Imports	100	181	100	200	0	200
TOTAL SUPPLY	15600	15020	15600	15200	0	15200
Exports	11500	11188	11500	11200	0	11200
Domestic Consumption	4100	3832	4100	4000	0	4000
TOTAL DISTRIBUTION	15600	15020	15600	15200	0	15200

Export Trade Matrix			
Country	Sweden		
Commodity	Softwood Lumber		
Time period	CY	Units:	1,000 CUM
Exports for:	1999		2000
U.S.	35	U.S.	175
Others		Others	
United Kingdom	2530	United Kingdom	2476
Germany	1475	Denmark	1329
Denmark	1250	Germany	1099
Netherlands	1000	Netherlands	973
Norway	690	Norway	894
Egypt	650	Egypt	691
Spain	580	Spain	662
Japan	575	Japan	650
France	475	France	502
Italy	250	Italy	269
Total for Others	9475		9545
Others not Listed	1465		1468
Grand Total	10975		11188

Import Trade Matrix			
Country	Sweden		

Commodity	Softwood Lumber		
Time period	CY	Units:	1,000 CUM
Imports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Norway	51	Norway	73
Finland	24	Estonia	23
Estonia	18	Finland	22
Total for Others	93		118
Others not Listed	45		63
Grand Total	138		181

Prices Table			
Country	Sweden		
Commodity	Softwood Lumber		
Prices in	SEK	per uom	
Year	1999	2000	% Change
Average for year	1601	1622	1
Exchange Rate	9.18	Local currency/US $	

PSD Table						
Country	Sweden					
Commodity	Hardwood Plywood				1000 CUBIC METERS	

	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	0	0	0	0	0	0
Imports	75	85	75	80	0	80
TOTAL SUPPLY	75	85	75	80	0	80
Exports	15	3	15	5	0	5
Domestic Consumption	60	82	60	75	0	75
TOTAL DISTRIBUTION	75	85	75	80	0	80

Export Trade Matrix			
Country	Sweden		
Commodity	Hardwood Plywood		
Time period	CY	Units:	1,000 CUM
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Germany	1	Germany	1
Total for Others	1		1
Others not Listed	2		2
Grand Total	3		3

Import Trade Matrix			
Country	Sweden		
Commodity	Hardwood Plywood		
Time period	CY	Units:	1,000 CUM

Imports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Russia	24	Russia	44
Finland	18	Finland	21
Latvia	12	Latvia	9
Estonia	8	Estonia	7
Denmark	4	Denmark	2
Total for Others	66		83
Others not Listed	9		2
Grand Total	75		85

Prices Table			
Country	Sweden		
Commodity	Hardwood Plywood		
Prices in	SEK	per uom	
Year	1999	2000	% Change
Average for year	8779	8020	-9
Exchange Rate	9.18	Local currency/US $	

PSD Table						
Country	Sweden					
Commodity	Softwood Plywood				1000 CUBIC METERS	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New

Market Year Begin		01/2000		01/2001		01/2002
Production	110	113	110	115	0	115
Imports	70	84	70	70	0	70
TOTAL SUPPLY	180	197	180	185	0	185
Exports	60	49	60	50	0	50
Domestic Consumption	120	148	120	135	0	135
TOTAL DISTRIBUTION	180	197	180	185	0	185

Export Trade Matrix			
Country	Sweden		
Commodity	Softwood Plywood		
Time period	Cy	Units:	1,000 CUM
Exports for:	1999		2000
U.S.	0	U.S.	
Others		Others	
Denmark	15	Denmark	17
Netherlands	9	Norway	9
Norway	7	United Kingdom	7
Germany	7	Netherlands	6
United Kingdom	6	Ireland	5
Ireland	2	Germany	3
Total for Others	46		47
Others not Listed	4		2
Grand Total	50		49

Import Trade Matrix			
Country	Sweden		
Commodity	Softwood Plywood		
Time period	CY	Units:	1,000 CUM
Imports for:	1999		2000
U.S.	0	U.S.	0

Others		Others	
Finland	49	Finland	57
Poland	7	Poland	6
Latvia	5	Brazil	6
Denmark	2	Latvia	4
Estonia	2	Denmark	3
Korea	2	Estonia	3
Total for Others	67		79
Others not Listed	4		5
Grand Total	71		84

Prices Table			
Country	Sweden		
Commodity	Softwood Plywood		
Prices in	SEK	per uom	
Year	1999	2000	% Change
Average for year	2971	3110	5
Exchange Rate	9.18	Local currency/US $	

PSD Table						
Country	Sweden					
Commodity	Softwood Veneer				1000 CUBIC METERS	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	0	0	0	0	0	0

Imports	40	25	40	25	0	25
TOTAL SUPPLY	40	25	40	25	0	25
Exports	15	16	15	15	0	15
Domestic Consumption	25	9	25	10	0	10
TOTAL DISTRIBUTION	40	25	40	25	0	25

Export Trade Matrix			
Country	Sweden		
Commodity	Softwood Veneer		
Time period	CY	Units:	1,000 CUM
Exports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Poland	4	Germany	5
Germany	4	France	4
France	2	Poland	2
Denmark	2		
Total for Others	12		11
Others not Listed	4		5
Grand Total	16		16

Import Trade Matrix			
Country	Sweden		
Commodity	Softwood Veneer		
Time period	CY	Units:	1,000 CUM
Imports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Finland	34	Finland	24
Poland	2		

Estonia	1		
Total for Others	37		24
Others not Listed	1		1
Grand Total	38		25

Prices Table			
Country	Sweden		
Commodity	Softwood Veneer		
Prices in	SEK	per uom	
Year	1999	2000	% Change
Average for year	6915	6272	-9
Exchange Rate	9.18	Local currency/US $	